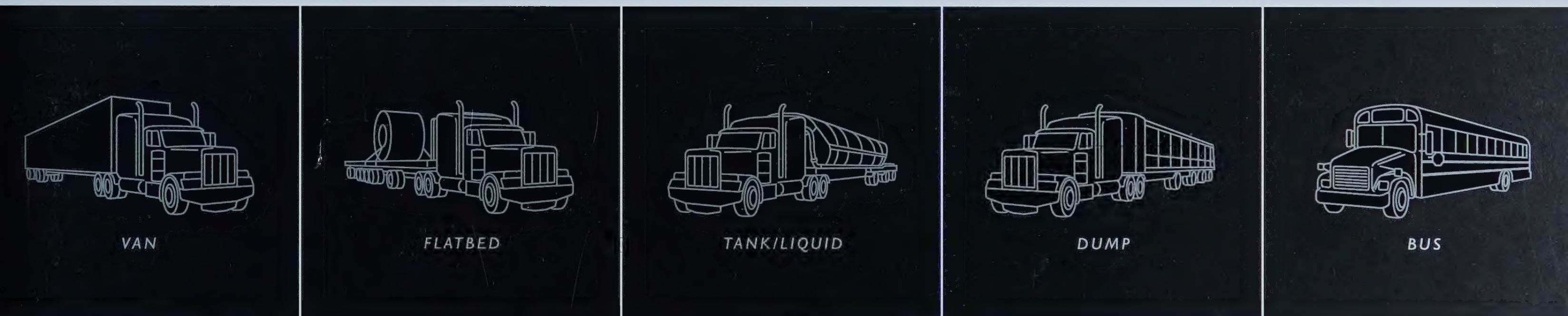
CONTRANS INCOME FUND



ANNUAL REPORT 2003

CONTRANS HAS BEEN OPERATING IN THE TRANSPORTATION INDUSTRY SINCE 1985 AS A PROVIDER OF FREIGHT TRANSPORTATION SERVICES IN THE TRUCKLOAD MARKET. WITH OVER 1,100 POWER UNITS AND 2,000 TRAILERS UNDER MANAGEMENT, CONTRANS IS ONE OF THE LARGEST FREIGHT TRANSPORTATION COMPANIES IN CANADA. CONTRANS ALSO OPERATES IN THE SCHOOL BUS TRANSPORTATION INDUSTRY WITH 660 BUSES SERVICING 18 SCHOOL BOARDS.

($ thousands)	2003	2002(1)	2001(2)	2000(2)	1999(2)	1998(2)
Revenue	**$ 292,881**	$ 280,026	$ 257,045	$ 270,945	$ 258,062	$ 198,289
EBITDA	**$ 32,914 11.2%**	$ 35,842 12.8%	$ 31,819 12.4%	$ 31,268 11.5%	$ 26,501 10.3%	$ 20,671 10.4%
Earnings before taxes(3)	**$ 18,576 6.3%**	$ 22,662 8.1%	$ 21,275 8.3%	$ 20,639 7.6%	$ 17,180 6.7%	$ 15,661 7.9%

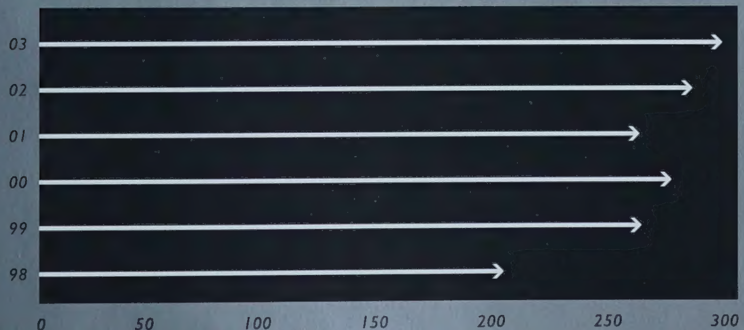
(1) Combined results of Contrans Corp. and Contrans Income Fund for the 12 months ended December 31.

(2) Results of Contrans Corp. for the 12 months ended August 31.

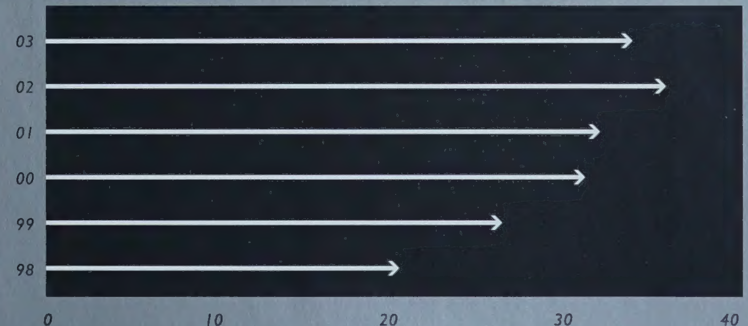
(3) Excludes goodwill amortization for years prior to 2002.

THIS WAS TRULY ONE OF THE MOST CHALLENGING YEARS IN OUR HISTORY.

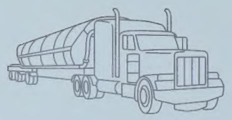
REVENUE ($ millions)



EBITDA ($ millions)



REPORT FROM THE CHAIRMAN



Contrans maintained its distributions at an annual rate of $1.25 in 2003 and provided unitholders a cash on cash return of 32%.

This was truly one of the most challenging years in our history. I have never seen such a concentration of adverse events as what occurred in 2003. These events included increased fuel consumption due to an unusually severe winter, insurance premiums which first increased exorbitantly late in 2002 and then again late in 2003, foreign exchange losses from a strengthening Canadian dollar, border delays arising from heightened security concerns in the U.S., a poor economic environment for the first part of the year, rapidly escalating fuel prices, SARS, mad cow disease and a massive power blackout that shut down many of our customers for several days. In spite of these events, Contrans maintained its distributions at an annual rate of $1.25 in 2003 and provided unitholders a cash on cash return of 32%.

I have spoken about a growing problem in the trucking industry of a steady decline of owner-operators and company drivers for years. The events of 2003 have only made this problem worse and it has reached a point where this shortage is affecting service levels. Distribution channels are critical to maintaining market share and many shippers have become more concerned about securing their transportation sources. This has made obtaining rate increases easier but it will take many increases over a long period as well as a change in the way society perceives the driving profession before the industry can attract and retain sufficient numbers to meet current demand. I expect to see the need for owner-operators and drivers become one of the primary motivations behind acquisitions as well as profit and customer lists. In the long run, whoever has the drivers will win.

On January 8, 2004, through a private placement, we secured $37.5 million of long-term financing for five years with a single

Contrans has its war chest full and is well positioned in an industry that is consolidating.

principal repayment at the end of the term. The five-year term, with interest fixed at 6.589%, locks in our borrowing costs at an attractive rate and will allow us to spend more time managing our business rather than negotiating financing arrangements.

The trading price of our units rose steadily early in 2004. This presented us with an opportunity to raise more equity. On March 1, 2004, we closed an equity offering for 3.7 million units that provided gross proceeds of $40.7 million.

This new equity, along with the long-term financing, provides us with the ability to take advantage of opportunities as they arise.

We have completed two acquisitions so far this year. On January 1, 2004, we acquired all of the issued and outstanding securities of Olinyk Trucking Ltd., a flatbed trucking company located in Edmonton, Alberta. This company operates primarily in the Edmonton – Calgary corridor and will complement Tri-Line's Calgary operation. On March 1, 2004, we acquired the business of Elgin Cartage Limited, located in London, Ontario. This operation focuses on transportation of industrial dry waste, which is a non-cyclical business and should be attractive to our unitholders and potential investors.

We expect that 2004 will be an exciting year for Contrans. Contrans has its war chest full and is well positioned in an industry that is consolidating. We are looking forward to providing further value to our unitholders.

Respectfully submitted,

Stan G. Dunford
Chairman of the Board and Chief Executive Officer
March 10, 2004

I have never seen such a concentration of adverse events as what occurred in 2003.

The financial statements should be read in conjunction with the analysis that follows. The attached financial statements detail the performance and financial position of Contrans Income Fund (the "Fund") for the periods January 1, 2003 to December 31, 2003 and July 23, 2002 to December 31, 2002 as well as the performance and financial position of the Fund's predecessor, Contrans Corp., for the period September 1, 2001 to July 22, 2002. Since these financial periods are for varying lengths of time, prior year comparative figures in the tables that follow have been prepared for the full twelve-month period ended December 31, 2002 to provide readers with meaningful comparisons.

Financial Highlights

Twelve months ended December 31 (in millions except per unit amounts)	2003 (Audited)		2002 (Unaudited)	
Revenue	**$ 292.9**	**100.0%**	$ 280.0	100.0%
Earnings before interest, taxes and amortization (EBITDA) (1)	**32.9**	**11.2**	35.8	12.8
Amortization	**12.7**	**4.3**	11.2	4.0
Interest	**1.7**	**0.6**	2.0	0.7
Earnings before taxes (EBT)	**18.5**	**6.3**	22.6	8.1
Income tax provision	**0.7**	**0.2**	4.9	1.8
Net income	**$ 17.8**	**6.1%**	$ 17.7	6.3%
Total assets	**$ 160.4**		$ 171.8	
Long-term debt(2)	**$ 14.6**		$ 26.7	
Distributions declared per unit	**$ 1.25**		$ 0.52	

(1) EBITDA is not an earnings measure recognized by generally accepted accounting principles in Canada ("GAAP"), does not have a standardized meaning prescribed by GAAP and is therefore unlikely to be comparable to similar measures presented by other issuers. However, management believes that EBITDA is a useful measure in determining the Fund's cash flow and evaluating the performance of the Fund.

(2) Includes current portion.

Quarterly Results

(Unaudited)	First Quarter		Second Quarter		Third Quarter		Fourth Quarter	
(in millions except per unit amounts)	**2003**	2002	**2003**	2002	**2003**	2002	**2003**	2002
Revenue	**$ 75.3**	$ 59.9	**$ 72.7**	$ 74.4	**$ 70.6**	$ 72.5	**$ 74.2**	$ 73.2
Net income	**4.5**	2.7	**5.5**	4.1	**5.9**	5.9	**1.9**	5.0
Earnings per unit – basic (a)	**$ 0.19**	$ 0.15	**$ 0.23**	$ 0.23	**$ 0.25**	$ 0.26	**$ 0.08**	$ 0.21
Earnings per unit – diluted (a)	**0.19**	0.15	**0.23**	0.22	**0.25**	0.26	**0.08**	0.21

(a) Amounts for the periods prior to July 23, 2002 have been revised to reflect the four-for-one split upon conversion of shares to trust units on July 23, 2002.

Results from Operations

During the fourth quarter of 2003, the impact of increased insurance rates and certain other expenses amounted to $2.2 million in aggregate ($0.09 per unit) and were primarily responsible for decreased earnings compared to the previous year. The individual impact of these items was as follows:

Freight transportation:

- *$500,000 – increased insurance premiums*
- *$500,000 – provision against amounts receivable from a top ten customer which entered into CCAA protection*
- *$400,000 – write-downs and losses on the disposal of redundant equipment*
- *$200,000 – closure of an underperforming operation*
- *$200,000 – prepayment penalty recognized as a result of management's decision to terminate a third-party equipment loan prior to maturity*

School bus transportation:

- *$200,000 – increased insurance premiums*
- *$200,000 – professional fees arising from certain contemplated acquisitions which were abandoned*

Freight Transportation

(Unaudited)

Twelve months ended December 31

(in millions)	**2003**		2002	
Revenue	**$ 270.0**	**100.0%**	$ 264.1	100.0%
EBITDA	**32.7**	**12.1**	34.4	13.0
Amortization	**8.1**	**3.0**	8.1	3.1
Interest	**5.8**	**2.1**	4.6	1.7
EBT	**$ 18.8**	**7.0%**	$ 21.7	8.2%

Includes allocations of head office costs.

Year-to-date revenues have increased over the prior year by $9.7 million due to the acquisitions of Tri-Line Freight Systems ("Tri-Line"), Quinn Bros. Corp., Harold Bird Trucking Inc. and the private fleet of Canada Starch Company. These increases were offset during the year by the strengthening Canadian dollar which adversely affected U.S. dollar-denominated revenues. Management has been able to convert some customers to Canadian dollar billing. Other customers have agreed to rate increases or to having foreign exchange escalators applied to their freight rates. Revenues were also lower due to reduced numbers of owner-operators. A large scale electrical blackout in August that affected most of the North Eastern part of the continent also had an adverse impact on revenue.

In addition to the increased fourth quarter expenses noted above, annual earnings were also affected by the following:

- *The rate of decline in the supply of good, safety-conscious owner-operators and company drivers has increased in recent years. As noted, this has hindered the Fund's ability to generate revenue. The Fund has also had to increase pay rates to remain competitive in this labour market. The impact of the Fund's pay increases approximated $2.6 million in 2003. Furthermore, the Fund has had to employ the services of partner carriers more this year than last year to compensate for the reduced number of available owner-operators. This resulted in an additional loss of profit margin of approximately $500,000 compared to 2002. Partner carriers require extra compensation for use of their trailers whereas the Fund's owner-operators generally do not provide trailing equipment.*
- *Annual insurance premiums in 2003 were $1.8 million higher than they were in 2002. Management believes that the increase in these costs is not a product of the Fund's safety record but a result of the lingering effects of September 11, 2001 and the fact that there are a very limited number of companies providing insurance in the transportation*

Distribution channels are critical to maintaining market share and many shippers have become more concerned about securing their transportation sources.

segment. Management has been negotiating with its customers for rate increases to compensate for increased insurance premiums.

- *Foreign exchange losses in the freight operations in 2003 were $1.2 million higher than they were in 2002.*
- *Approximately $600,000 of additional maintenance expenses were incurred in 2003 to bring certain equipment purchased through acquisition up to the Fund's mechanical fitness standards and to prepare some leased equipment for return.*
- *Accident claims expenses in 2003 were $300,000 lower than in 2002.*

Seasonality

Volumes from the Fund's customers in the construction industry reach their peak in the summer and autumn but drop off with winter weather. Harsh winter weather conditions hinder traffic and increase operating costs. In addition, many customers either shut down their production facilities or otherwise ship very little of their products during the Christmas holiday season which adversely affects fourth quarter revenues.

School Bus Transportation

(Unaudited)

Twelve months ended December 31 (in millions)	**2003**		2002	
Revenue	**$ 22.8**	**100.0%**	*$ 15.9*	*100.0%*
EBITDA	**5.2**	**22.8**	*3.8*	*23.9*
Amortization	**4.0**	**17.5**	*2.6*	*16.4*
Interest	**1.0**	**4.4**	*0.9*	*5.7*
EBT	**$ 0.2**	**0.9%**	*$ 0.3*	*1.9%*

Includes allocations of head office costs.

Contrans Corp. acquired Northstar Passenger Services Ltd. and Edutran Transportation Inc. on March 4, 2002 marking the organization's entry into the school bus industry. On August 1, 2002, the Fund acquired Ludlow Bus Lines Limited and acquired Robert Lindsay Limited on May 1, 2003. While these acquisitions have generated most of the growth in the school bus operations, some growth has resulted from winning new routes and obtaining rate increases.

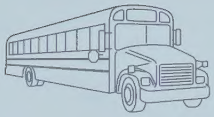
Earnings have been adversely affected by insurance premiums which were $250,000 higher in 2003 than in 2002 after adjusting for part-year ownership in 2002. In addition, operating losses incurred during July and August this year increased due to the expanded scope of operations.

Seasonality

Revenues from school bus operations fluctuate with the number of school days in a period. During the summer months, revenue is derived solely from private charter services. Accordingly, the Fund's school bus operations typically incur operating losses during July and August compared to steady profits during the balance of the year save for the Christmas and March breaks.

Cash Flow

Cash flow from operating activities before changes in non-cash working capital balances amounted to $30.5 million in 2003 compared to $28.4 million for the twelve months ended December 31, 2002. This improvement was due to the substantial elimination of corporate income tax obligations resulting from the conversion into an income trust which more than offset the decrease in earnings before taxes.



Non-cash working capital increased in 2003 by $5.2 million. This was due mostly to improved receivables aging and an increase in unpaid employee bonuses which arose as a result of the change in year ends in 2002. In addition, new payroll accounts were established in January for each of the Fund's operating limited partnerships. Payroll accounts require less frequent remittances in their first year.

The Fund expended $9.9 million on capital equipment in 2003. Of this amount, $4.0 million related to growth expenditures the majority of which consisted of school buses bought to service newly awarded routes and dump trailers purchased to service new business. The remaining $5.9 million was spent to replace retired assets of which $3.9 million was for new buses and $2.0 million was for new trucking equipment and other assets. There has been little need for replacement capital in the Fund's freight operations. The rolling stock is relatively new and well-maintained. Furthermore, the Fund has a refurbishment program for certain trailing fleets which prolongs their working lives. Management expects the need for replacement capital expenditures will be similar next year for existing operations as at December 31, 2003.

The Fund eliminated many redundant assets in 2003. This resulted in unusually large proceeds from the sale of property and equipment which amounted to $8.0 million. Tri-Line's Calgary terminal was sold for proceeds of $4.3 million in July 2003 and resulted in a gain on sale of $300,000. This property far exceeded this operation's requirements. In addition, the reduced number of owner-operators at Tri-Line rendered part of its trailing fleet redundant. Accordingly, a portion of Tri-Line's trailing fleet was sold which generated proceeds of $1.1 million and a loss on sale of $250,000. In addition to the sales at Tri-Line, the Fund sold a group of trailers in its Brookville Van operation which were uncompetitive in their marketplace due to their weight and axle configuration. This sale generated proceeds of $800,000 and a loss of $200,000.

Unitholder Distributions

Distributable Cash [(a)]

(Unaudited) *For the period* *(in thousands)*	**January 1, 2003 to December 31, 2003**	July 23, 2002 to December 31, 2002
Cash flow from operating activities	**$ 35,727**	$ 16,066
Proceeds from sale of property and equipment [(b)]	**7,985**	1,041
Net change in non-cash working capital [(c)]	**(5,231)**	(1,078)
Maintenance capital expenditures [(a) (d)]	**(5,912)**	(5,615)
Distributable cash	**$ 32,569**	$ 10,414
Distributions declared	**$ 29,722**	$ 12,359
Distributable cash per unit	**$ 1.37**	$ 0.44
Distributions declared per unit	**$ 1.25**	$ 0.52
Weighted average number of units outstanding	**23,763**	23,687
Capital expenditures		
Maintenance capital expenditures	**$ 5,912**	$ 5,615
Growth capital expenditures [(a)]	**3,986**	3,730
Total	**$ 9,898**	$ 9,345

(a) Distributable cash, maintenance capital expenditures and growth capital expenditures are not measures recognized by GAAP, do not have standardized meanings prescribed by GAAP and are therefore unlikely to be comparable to similarly named measures presented by other issuers. However, management believes that they are important and useful measures for readers to evaluate the performance of the Fund.

(b) Proceeds from the sale of property and equipment are considered distributable to unitholders when there are not any prior ranking claims on these funds.

(c) Cash generated by changes in non-cash working capital that is part of a normal operating cycle is not considered to be distributable to unitholders. Similarly, cash used to fund working capital or growth capital expenditures do not affect amounts that can be distributed to unitholders where financing is available.

(d) Maintenance capital expenditures refer to capital expenditures that are necessary to sustain current revenue levels. Management believes that funding for maintenance capital expenditures must come out of operating cash flow.

I expect to see the need for owner-operators and drivers become one of the primary motivations behind acquisitions.

Management makes distributions based on the actual and expected performance of operations and expected average net annual capital requirements to maintain its fleet. The trustees of the Fund assess the level of distribution each month based on the Fund's actual performance.

Liquidity and Capital Resources

As at December 31, 2003 the current ratio was 0.9 : 1 and the total debt (including future tax obligations) to equity ratio was 0.5 : 1. As at December 31, 2003, the Fund had $17.3 million available in its operating line and $14 million of term financing available.

The Fund negotiated new borrowing facilities which came into effect on January 8, 2004 which provided a $37.5 million term loan and a $30 million demand loan. The term loan is repayable with a single principal payment due December 15, 2008 and bears interest at a fixed rate of 6.589%. Proceeds from the term loan were used to repay certain existing indebtedness. The demand loan provides funding for acquisitions and other growth opportunities as well as for working capital purposes.

The Fund entered into an agreement on February 10, 2004 to sell 3.7 million subordinate voting trust units at a price of $11.00 each for gross proceeds of $40.7 million. The net proceeds of the offering will be used for working capital purposes and will allow the Fund to pursue strategic growth opportunities. The first cash distribution in which purchasers of this issue will be entitled to participate will be for the month of March 2004 with a record date of March 31, 2004 and is payable on April 15, 2004.

As at December 31, 2003, the Fund had 246 tractors and 516 trailers under operating leases as well as 766 tractors and 146 trailers that were under contract with owner-operators. As at December 31, 2003, the Fund owned 1,284 trailers, 103 tractors, 660 school buses and 17 of its major office and terminal facilities.

The table below sets forth the cash and debt obligations of the Fund as at December 31, 2003, adjusted to give effect to the new term loan and the equity offering.

Pro Forma Cash and Debt Obligations

(Unaudited) (in millions)	As at December 31, 2003	New term loan	Net proceeds of equity offering	Pro forma
Cash	**$ 0.1**	$ 26.3	$ 38.8	$ 65.2
Operating loan	**7.7**	(7.7)	—	—
Long-term debt	**14.6**	37.5	—	52.1
		(3.5)		(3.5)
Total	**$ 22.3**	$ 26.3	$ —	$ 48.6

Outstanding Units

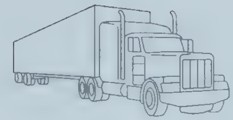
(Audited)
As at January 31, 2004

(in thousands)	
Subordinate Voting Trust units	16,988
Class A LP units	5,451
Class B LP units	1,468
Total	23,907

Contractual Obligations

(Audited)	Payments Due						
($ millions)	2004	2005	2006	2007	2008	Thereafter	Total
Long-term debt	7.3	3.3	1.4	0.4	—	2.2	14.6
Operating lease obligations	7.6	7.3	4.6	2.2	1.1	0.6	23.4
Total	14.9	10.6	6.0	2.6	1.1	2.8	38.0

Approximately 160 trailers currently under operating leases will be coming to the end of their term in 2004. Management has ordered 144 trailers to replace them. Financing of the replacement trailers will be done via operating leases, the terms of which have not yet been finalized.



Use of Proceeds from the Fund's Initial Public Offering, July 23, 2002

The table below compares the intended use of proceeds from the Fund's initial public offering as disclosed in its prospectus dated July 12, 2002 to their actual disposition.

(Unaudited) (in millions)	*Per prospectus*	*Actual*
Repayment of operating loan	*$ 14.7*	*$ 11.6*
Repayment of long-term debt	*17.0*	*16.2*
Working capital	*5.7*	*9.3*
Net proceeds	*$ 37.4*	*$ 37.1*

Changes in Accounting Policies

The CICA has issued new recommendations on the recognition of asset retirement obligations, which establishes standards for recognizing, measuring and disclosing liabilities for asset retirement obligations and the associated asset retirement costs. A liability is recognized at fair value when an obligation is incurred and it can be reasonably estimated. The asset retirement cost is allocated to expense using a systematic and rational method over the estimated useful life of the related asset. The recommendations are to be applied for fiscal years beginning on or after January 1, 2004. Management will adopt this new standard in 2004 and is currently evaluating the impact of the new recommendations on its consolidated financial statements.

The CICA has issued new recommendations on impairment of long-lived assets, which establishes standards for recognizing, measuring and disclosing impairment of long-lived assets held for use. An impairment is recognized when the carrying amount of an asset to be held and used exceeds the sum of undiscounted cash flows expected from its use and disposal, and is measured as the amount by which the carrying amount exceeds its fair value. The recommendations are to be applied for fiscal years beginning on or after April 1, 2003. Management will adopt this new standard in 2004 and is currently evaluating the impact of the new recommendations on its consolidated financial statements.

The CICA has issued revised recommendations on the disposal of long-lived assets and discontinued operations that provide criteria for classifying a long-lived asset as held for sale. Assets classified as held for sale are to be measured at the lower of their carrying amount or fair value, less costs to sell. The recommendations also extend the reporting of discontinued operations to include any disposals of a component of an entity which comprises operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the enterprise. The recommendations became effective for disposal activities initiated by an enterprise's commitment to a plan on or after May 1, 2003. Management does not currently have any plans to dispose of any of the Fund's operations.

Transactions with Related Parties

During the year, the Fund purchased in the ordinary course of business a portion of its requirement for tractors and equipment repairs for aggregate consideration of $2.2 million from Peterbilt of Ontario Inc. These transactions were carried out at market rates. Mr. Stan G. Dunford, Chairman, Chief Executive Officer and a Trustee of the Fund, directly owns a majority interest in Peterbilt of Ontario Inc.

In the long run, whoever has the drivers will win.

Critical Accounting Estimates

Management is required to make significant estimates and assumptions in preparing its financial statements, the most significant of which are as follows

Financial Statement Item	Methodology, assumptions
ounts receivable ons for doubtful accounts	Specific account analysis performed and a general provision is established based on past performance.
oodwill and long lived assets – pairment testing	Based on expected future cash flows. Consideration given to past performance and future conditions that are known or expected to change that will affect future cash flows
Property, equipment and ssets – useful lives	Based on past performance.
Accrued liabilities matters involving litigation	Accruals for settlement established based on information provided by legal counsel or claims professionals.

Management does not believe that there are changes that are reasonably to occur in the assumptions that have been used that will have a al impact on the Fund's financial position, changes in financial tion or results of operations.

Financial Instruments

Fund periodically enters into foreign exchange forward contracts as hedges against its exposure to currency fluctuations. Gains or losses that are realized on the settlement of these contracts are classified as part of selling, general and administrative expenses. Approximately $2.4 million of gains were realized by the Fund on account of the contracts in 2003. As at December 31, 2003, the Fund had forward contracts to sell $3 million U.S. with a contract exchange rate of $1.33 CDN which was not materially different from their fair value.

Business Risks

Legislation has been introduced in the United States with respect to hours of service of truck drivers, with similar legislation anticipated to be introduced in Canada in the near future. Generally, under the United States legislation, drivers will be restricted to a period of duty of 14 hours, 11 of which may be driving hours. Non-driving time spent, such as loading product or crossing borders, is included as driving time. These changes may result in a reduction in productivity of some drivers. Management believes that this potential loss in productivity can be mitigated by charging customers for inefficiencies such as undue delays in loading, unloading and waiting time.

The Fund is affected by economic cycles. Freight transportation operations service more than 3,000 customers in various industries and geographic regions with a fleet of dry van, flatbed, dump, dry bulk and liquid tank trailers. Some of the largest freight customers are in industries where demand for their goods is relatively inelastic. School bus operations provide transportation services to 18 school boards and are relatively unaffected by economic cycles.

The diversity of the customer base also limits concentration of credit risk. No single customer accounts for more than 10% of the Fund's revenue.

Cross-border travel is required to service many customers in the Fund's freight operations. Approximately 40% of the total distance travelled by the Fund's trucks is travelled in the U.S. Accordingly, border crossings and

customs clearance affect these shipments. Today's political uncertainties and border security concerns present risks to the efficiency of cross-border traffic. The Fund participates in professional and industry associations designed to lobby for the transportation industry's interests. In addition, management is informing customers about the loss of efficiency and costs of border delays in conjunction with compensation discussions arising from the new hours of service regulations.

The Fund is subject to certain foreign exchange risks as it has positive U.S. dollar cash flow arising from its freight operations. Management manages this risk through foreign exchange contracts, contracting equipment operating leases in U.S. dollars and customer negotiations.

Changes in the relative value of the Canadian dollar against the U.S. dollar also affect both the flow of goods between Canada and the U.S. and competition for freight. Management competes for this freight by providing high levels of service to service-sensitive customers.

The Fund's operating entities are subject to lawsuits from accidents and other insurable risks. Management maintains prudent levels of insurance coverage and high safety standards to minimize this exposure. Furthermore, management contracts only with insurers licensed to underwrite in Canada. The Canadian insurance industry is highly regulated with stringent capital and liquidity requirements.

The Fund's freight operations rely primarily on the services of owner-operators and professional drivers. As at December 31, 2003 the Fund had 809 owner-operators under contract, employed 283 company truck drivers and 581 school bus drivers. Besides offering competitive rates of pay, management is conscious of the quality of the working environment. In addition, when the Fund lacks its own resources, partner carriers can provide freight hauling capacity.

Changes in interest rates affect both interest paid on floating rate debt and interest received on surplus cash. After giving effect to the Fund's refinancing on January 8, 2004, approximately 94% of long-term debt has a fixed interest rate.

Additional Information

Additional information, including the Fund's Annual Information Form, is available at www.sedar.com.

Forward-Looking Statements

Management's discussion and analysis contains certain forward looking statements. These statements relate to future events or future performance. In some cases, forward-looking statements can be identified by terminology such as "may", "will", "should", "expect", "plan", "anticipate", "believe", "estimate", "predict", "potential", "continue" or the negative of these terms or other comparable terminology. Such statements reflect the current views of management of Contrans with respect to future events. Actual events or results may differ materially. In evaluating these statements, readers should specifically consider various factors, including the risks outlined under "Risk Factors" in the Fund's Annual Information Form which is available at www.sedar.com. These factors may cause actual results to differ materially from any forward-looking statement.

March 10, 2004

The accompanying financial statements of Contrans Income Fund and all the information in this annual report are the responsibility of management and have been reviewed and approved by the Board of Trustees.

Management has prepared the financial statements in accordance with generally accepted accounting principles. Where alternative accounting methods exist, management has chosen those methods most appropriate in the circumstances. Financial statements are not precise since they include certain amounts based on estimates and judgement. Management has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly, in all material respects. Management has ensured that the financial information presented throughout the annual report is consistent with that in the financial statements.

Management maintains systems of internal controls designed to provide reasonable assurance that the financial information is accurate and complete and that the Fund's assets are adequately safeguarded.

The Board of Trustees is responsible for ensuring that management fulfils its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Board carries out this responsibility principally through its Audit Committee.

The Board appoints an Audit Committee, which is comprised entirely of outside directors. The Committee meets quarterly with management and regularly with the Fund's external auditors, KPMG LLP, to discuss internal controls, auditing matters and financial reporting issues. KPMG LLP has full and free access to the Audit Committee. The Committee reports its findings to the Board who approve the financial statements for issuance to the unitholders. The Committee also considers, for review by the Board and approval by the unitholders, the engagement or reappointment of the auditors.

Stan G. Dunford
Chairman and Chief Executive Officer
February 10, 2004

We have audited the consolidated balance sheets of Contrans Income Fund as at December 31, 2003 and the consolidated statements of earnings, retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2003 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The consolidated financial statements as at December 31, 2002 and July 22, 2002 and for the periods then ended were audited by other auditors, who expressed an opinion without reservation on those statements in their reports, dated March 4, 2003 and October 25, 2002.

KPMG LLP

Chartered Accountants
London, Canada
February 10, 2004

CONSOLIDATED STATEMENTS OF EARNINGS

For the period	January 1, 2003 to December 31, 2003	July 23, 2002 to December 31, 2002	September 1, 2001 to July 22, 2002
Revenue	**$ 292,881**	$ 129,900	$ 231,637
Operating expenses	**231,576**	101,945	181,577
Selling, general and administration expenses	**28,391**	11,908	19,985
Amortization of property and equipment	**12,509**	5,371	8,274
Amortization of intangible assets	**169**	39	29
Income From Operations	**20,236**	10,637	21,772
et interest expense (Note 6)	**1,660**	668	1,817
Income Before Income Taxes	**18,576**	9,969	19,955
Income taxes (Note 7)	**731**	100	7,809
Net Income	**$ 17,845**	$ 9,869	$ 12,146
ne per unit – basic*	**$ 0.75**	$ 0.42	$ 0.69
Net income per unit diluted*	**$ 0.75**	$ 0.42	$ 0.66
rage number of units outstanding – basic*	**23,763**	23,687	17,680
ed average number of units outstanding – diluted*	**23,763**	23,687	18,328

*Amounts for the period ended July 22, 2002 have been revised to reflect the four-for-one split upon conversion of shares to trust units on July 23, 2002.

LIDATED STATEMENTS OF RETAINED EARNINGS

For the period	January 1, 2003 to December 31, 2003	July 23, 2002 to December 31, 2002	September 1, 2001 to July 22, 2002
Retained Earnings – Beginning of Period	**$ 53,887**	$ 52,977	$ 41,763
of future income tax obligations upon conversion to an income fund	**—**	3,400	
	17,845	9,869	12,146
ium paid on purchase of the Company's Class A shares	**—**		(932)
Distributions declared	**(29,722)**	(12,359)	
Retained Earnings – End of Period	**$ 42,010**	$ 53,887	$ [illegible]

The accompanying notes are an integral part of these statements

CONSOLIDATED BALANCE SHEETS

(in thousands)

	As at December 31, 2003	As at December 31, 2002	As at July 22, 2002
Assets			
Current Assets			
Cash	**$ 137**	$ 4,809	$ 221
Accounts receivable	**30,190**	33,327	36,09
Other current assets	**5,741**	4,757	4,225
	36,068	42,893	40,543
Property and Equipment *(Note 4)*	**91,777**	99,477	90,228
Goodwill and Intangible Assets *(Note 5)*	**32,522**	29,443	25,914
	$ 160,367	$ 171,813	$ 156,685
Liabilities			
Current Liabilities			
Operating loan (Note 6)	**$ 7,701**	$ —	$ 13,080
Accounts payable and accrued liabilities	**22,783**	19,143	19,361
Distributions payable	**2,489**	2,472	—
Income taxes payable	**119**	609	1,150
Current portion of long term debt (Note 6)	**7,317**	5,135	21,239
	40,409	27,359	54,830
Long-Term Debt *(Note 6)*	**7,254**	21,614	13,573
Future Income Taxes *(Note 7)*	**5,463**	5,128	8,548
	53,126	54,101	76,951
Unitholders' Equity			
Trust units (Note 8)	**65,231**	63,825	26,757
Retained earnings	**42,010**	53,887	52,977
	107,241	117,712	79,734
	$ 160,367	$ 171,813	$ 156,685

Commitments and contingencies (Notes 9 and 10)

Subsequent events (Note 16)

The accompanying notes are an integral part of these statements.

Signed on behalf of the Board

Stan G. Dunford, *Trustee*

Archie M. Leach, C.A., *Trustee*

CONSOLIDATED STATEMENTS OF CASH FLOW

(in thousands)

For the period	January 1, 2003 to December 31, 2003	July 23, 2002 to December 31, 2002	September 1, 2001 to July 22, 2002
Cash Provided by (Used in)			
Operating Activities			
Net income	**$ 17,845**	$ 9,869	$ 12,146
Items not affecting cash:			
Amortization of property and equipment	**12,509**	5,371	8,274
Amortization of intangible assets	**169**	39	29
Future income taxes	**335**	(20)	20
Loss (gain) on sale of property and equipment	**(362)**	(271)	378
	30,496	14,988	20,847
Net change in non-cash working capital (Note 13)	**5,231**	1,078	(8,527)
	35,727	16,066	12,320
Investing Activities			
Expended on acquisitions (Note 3)	**(5,710)**	(6,525)	(27,863)
Operating loan assumed on acquisition	**—**	—	(227)
Proceeds from sale of property and equipment	**7,985**	1,041	2,137
Purchase of property and equipment	**(9,898)**	(9,345)	(4,001)
	(7,623)	(14,829)	(29,954)
Financing Activities			
Distributions paid	**(29,705)**	(9,887)	—
Proceeds from long-term debt	**1,288**	8,000	74
Repayment of long-term debt	**(13,466)**	(18,750)	(11,706)
Proceeds from (repayment of) operating loan	**7,701**	(13,080)	13,080
Proceeds from issuance of equity	**1,406**	37,068	4,445
Repurchase of equity	**—**	—	(1,342)
	(32,776)	3,351	4,551
Increase (Decrease) in Cash	**(4,672)**	4,588	(13,083)
Cash – Beginning of Period	**4,809**	221	13,304
Cash – End of Period	**$ 137**	$ 4,809	$ 221

The accompanying notes are an integral part of these statements.

1. Organization

Contrans Income Fund (the "Fund") is an unincorporated, open-ended limited purpose trust established under the laws of the province of Ontario. The Fund was created for the purpose of acquiring and holding certain investments, initially through the effective acquisition of Contrans Corp. and its direct and indirect operating entities.

On July 23, 2002, Contrans Corp. and the Fund completed a plan of arrangement whereby the Fund indirectly acquired the outstanding shares of Contrans Corp. through a series of transactions immediately prior to the closing of the initial public offering described below. As part of the plan of arrangement, the Fund issued 11,851,610 subordinate voting trust units on a four-for-one basis to certain existing shareholders of Contrans Corp. In addition, Contrans Holding Limited Partnership issued, on a four-for-one basis, 5,515,782 Class A LP Units and 1,467,724 Class B LP Units to the remaining existing shareholders of Contrans Corp. The acquisition of Contrans Corp. by the Fund was recorded using the carrying amounts of Contrans Corp.'s assets and liabilities as at July 23, 2002.

Also on July 23, 2002, the Fund completed its initial public offering of 4,250,000 subordinate voting trust units at $9.50 per subordinate voting trust unit. The Fund also granted the underwriters an option to purchase up to a total of 637,500 additional subordinate voting trust units at $9.50 per subordinate voting trust unit. This option was fully exercised on August 1, 2002.

The Fund operates in the freight and school bus transportation industries.

2. Significant Accounting Policies

Principles of consolidation

The purchase method of accounting for business combinations has been [illegible] the accounts of all subsidiaries have been consolidated with [illegible]

Goodwill and intangible assets

Goodwill is tested for impairment on an annual basis. Intangible assets with finite lives are amortized on a straight-line basis over their expected lives

Property and equipment

Property and equipment are valued at acquisition cost less accumulated amortization. Amortization is provided over the estimated service lives of the assets as follows:

Buildings – *Straight-line over 15 to 40 years*

Rolling Stock – *Tractors – 25% declining balance*
Trailers – Straight-line over 10 to 15 years
School buses – Based on usage over 7 to 11 years

Service Vehicles and Other Equipment – *20% to 30% declining balance*

Management periodically reviews the estimated service lives of these assets and adjusts amortization accordingly.

Revenue recognition

Revenue for freight transportation is recognized upon delivery of the goods to the customer. Revenue for school bus transportation services is recognized when services are provided.

Income taxes

The Fund is a mutual fund trust as defined under the Income Tax Act (Canada). Pursuant to the Declaration of Trust, all of the taxable income earned directly by the Fund in the period is distributable to unitholders and such distributions are deducted for income tax purposes. Consequently, no provision for income taxes is required for the Fund. The Fund's subsidiaries are, however, subject to income taxation and provide for income tax obligations based upon statutory corporate tax rates and provide for federal large corporations taxes as necessary.

Future income taxes

The liability method is used to account for future income taxes. Under this method, future income tax assets and liabilities are recognized for the estimated income tax consequences attributable to differences between financial statement carrying amounts of assets and liabilities and their respective income tax bases. Future income tax assets and liabilities are measured using tax rates expected to be in effect when the temporary differences are expected to be recovered or settled. The effects of changes in income tax rates are reflected in future income tax assets and liabilities in the period that the rate changes are substantively enacted.

Measurement uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts at the date of, and for the period of, the financial statements. Actual results could differ from those estimates. Estimates are reviewed on a regular basis and, as adjustments become necessary, they are reported in income in the periods in which they become known. The assets and liabilities which require management to make significant estimates and assumptions in determining carrying values include accounts receivable, property and equipment, goodwill and intangible assets, accounts payable and accrued liabilities and future income taxes.

3. Acquisitions

January 1, 2003 to December 31, 2003	Harold Bird Trucking Inc.	Robert Lindsay Limited	Canada Starch Company's Private Fleet	Total
Other current assets	$ —	$ 17	$ 50	$ 67
Property and equipment	1,000	567	967	2,534
Goodwill	—	133	—	133
Intangible assets				
Non-competition agreements	—	900	—	900
Non-contractual customer relationships	—	—	2,215	2,215
Fair value of assets acquired	1,000	1,617	3,232	5,849
Accounts payable and accrued liabilities	—	(117)	(22)	(139)
Fair value of liabilities assumed	—	(117)	(22)	(139)
	$ 1,000	$ 1,500	$ 3,210	$ 5,710
Consideration				
Cash	$ 1,000	$ 1,500	$ 3,210	$ 5,710

On January 29, 2003, the Fund acquired the business and certain operating assets of Harold Bird Trucking Inc., a provider of bulk transportation services. Rolling stock consisting of highway tractors and trailing equipment was acquired.

On April 15, 2003, the Fund entered into an agreement, which became effective May 1, 2003, to acquire the shares of Robert Lindsay Limited ("RLL"), a school bus transportation provider based in Nanticoke, Ontario. RLL operates its fleet under the name Lindsay Bus Lines.

On May 16, 2003, the Fund acquired certain highway tractors, liquid tank and van trailers and other transportation assets (the "equipment") from one of its customers, Canada Starch Company. In conjunction with transportation and logistics contracts executed on the same day, the Fund will use the equipment as the exclusive transportation supplier to this customer.

July 23, 2002 to December 31, 2002	Ludlow Bus Lines Limited	Quinn Bros. Corp.	Total
Other current assets	$ 53	$ —	$ 53
Property and equipment	4,430	1,615	6,045
Goodwill	2,833	656	3,489
Intangible assets			
Non-competition agreement	—	79	79
Fair value of assets acquired	7,316	2,350	9,666
Accounts payable and accrued liabilities	(321)	(133)	(454)
Long-term debt	(2,687)	—	(2,687)
Fair value of liabilities assumed	(3,008)	(133)	(3,141)
	$ 4,308	$ 2,217	$ 6,525
Consideration			
Cash	$ 4,308	$ 2,217	$ 6,525

On August 1, 2002, the Fund acquired substantially all of the bus assets and assumed certain liabilities of Ludlow Bus Lines Limited, a school bus operation.

On September 25, 2002, the Fund purchased substantially all of the trucking assets and assumed certain liabilities of Quinn Bros. Corp., a tank carrier based in Vermont.

September 1, 2001 to July 22, 2002	Northstar Passenger Services Ltd..	Edutran Transportation Inc.	Tri-Line Expressways Ltd.	Total
Accounts receivable	$ 953	$ —	$ —	$ 953
Income taxes recoverable	—	10	—	10
Other current assets	167	59	758	984
Property and equipment	9,451	2,758	7,273	19,482
Goodwill	13,528	2,567	1,742	17,837
Intangible assets				
Non-competition agreements	380	51	—	431
Fair value of assets acquired	24,479	5,445	9,773	39,697
Operating loan	(227)	—	—	(227)
Accounts payable and accrued liabilities	(900)	—	(33)	(933)
Current portion of long-term debt	(1,615)	(401)	—	(2,016)
Long-term debt	(5,435)	(1,339)	(492)	(7,266)
Future income taxes	(72)	(320)	—	(392)
Fair value of liabilities assumed	(8,249)	(2,060)	(525)	(10,834)
	$ 16,230	$ 3,385	$ 9,248	$ 28,863
Consideration				
Cash	$ 16,230	$ 2,385	$ 9,248	$ 27,863
Long-term promissory note	—	1,000	—	1,000
	$ 16,230	$ 3,385	$ 9,248	$ 28,863

On March 4, 2002, all of the issued and outstanding shares of Northstar Passenger Services Ltd. and Edutran Transportation Inc. were acquired. These companies operated in the school bus segment of the transportation industry.

On April 19, 2002, substantially all the business and assets of Tri-Line Expressways Ltd., a truckload carrier with fleets of van and flatbed trailers, were acquired and certain liabilities were assumed.

...cquisitions were accounted for by the purchase method in each ...nd the results of operations from the acquisition date have been ...l in these financial statements.

4. Property and Equipment

	Cost	Accumulated amortization	Net
	$ 6,449	$ —	$ 6,449
Buildings	18,105	5,283	12,822
Rolling stock and othe...	110,292	37,786	72,506
	$ 134,846	$ 43,069	$ 91,777

December 31, 2002	Cost	Accumulated amortization	Net
	$ 8,150	$ —	$ 8,150
Buildings	20,335	4,654	15,681
	106,134	30,488	75,646
	$ 134,619	$ 35,142	$ 99,477

22, 2002	Cost	Accumulated amortization	Net
	$ 7,447	$ —	$ 7,447
	18,821	4,187	14,634
...ck and othe... ...hment	100,404	32,257	68,147
	$ 126,672	$ 36,444	$ 90,228

5. Goodwill and Intangible Assets

	December 31, 2003	December 31, 2002	July 22, 2002
Goodwill	$ 29,135	$ 29,001	$ 25,512
Intangible assets			
Non-contractual based customer relationships	2,215	—	
Non-competition agreements	1,410	510	431
Accumulated amortization	(238)	(68)	(29)
	3,387	442	402
	$ 32,522	$ 29,443	$ 25,914

6. Long-Term Debt

	December 31, 2003	December 31, 2002	July 22, 2002
Notes payable with fixed and floating interest rates between 4.5% and 9.3% (December 31, 2002 – 6.6% and 9.3%; July 22, 2002 – 6.6% and 7.67%)	$ 11,360	$ 16,227	$ 17,990
Floating rate term loans with interest at prime plus 0.25% (December 31, 2002 – prime plus 0.75%; July 22, 2002 – between prime plus 0.25% and prime plus 0.75%)	1,000	8,000	5,325
Fixed rate term loans at rates between 7.12% and 7.15%	—		8,841
Other unsecured loans with interest at varying rates and due dates	2,211	2,522	2,656
	14,571	26,749	34,812
Less: Current portion	7,317	5,135	21,239
	$ 7,254	$ 21,614	$ 13,573

Notes payable are repayable in equal monthly payments and mature at dates between February 2004 and December 2007. Liens on rolling stock with a net book value of approximately $22.5 million have been provided as security.

On July 23, 2002, a majority-owned partnership of the Fund, Contrans Holding Limited Partnership ("Partnership"), entered into a new $50 million syndicated credit facility consisting of a tranche of $25 million as a 364-day revolving credit facility ("revolving facility") and a tranche of $25 million as a two-year term revolving facility ("term facility"). The revolving facility was available to finance general operating requirements and the term facility was available to repay current debt, acquire property and equipment and finance acquisitions. The term facility could not be used to fund corporate distributions or maintenance capital expenditures.

The credit facility was guaranteed by each of the operating entities, Contrans Income Fund, Contrans Operating Trust and Contrans Corp. The Partnership and each of the guarantors provided general security in favour of the lending syndicate. The credit facility limited distributions to unitholders under certain circumstances and prohibited distributions in events of default.

On July 17, 2003, the Partnership renegotiated this facility with a single lender. The amount available under the term facility was reduced by $10 million to $15 million and the term was extended for another two years. The amount available under the revolving facility remained at $25 million and the term was extended for another 364-day period. Restrictions on the use of the revolving facility for acquisitions and capital expenditures were removed. As at December 31, 2003, there were no restrictions preventing the Fund from making distributions to unitholders.

See subsequent events (Note 16(b)).

Net interest expense is comprised of the following:

	December 31, 2003	December 31, 2002	July 22, 2002
Long-term interest expense	**$ 1,645**	$ 708	$ 1,511
Short-term interest expense (income)	**15**	(40)	306
Net interest expense	**$ 1,660**	$ 668	$ 1,817

Aggregate minimum payments required on long-term debt in each of the next five years to meet retirement provisions are as follows:

2004	$ 7,317
2005	3,263
2006	1,375
2007	405
2008	—
Thereafter	2,211
	$ 14,57[illegible]

7. Income Taxes

The following table reconciles the provision for income taxes recorded in the statement of earnings for the period ended December 31, 2003 with the Canadian statutory income tax rate of 35.7% (38.6% in December 2002 and 39.1% in July 2002):

	December 31, 2003	December [illegible] 2002	[illegible]
Income before income taxes	**$ 18,576**	$ 9,969	$ 19,955
Computed income tax expense at Canadian statutory rate	**6,633**	3,848	7,802
Reduction of taxes due to taxable income allocated to unitholders	**(6,633)**	(3,868)	—
Increase in future tax liability associated with changes in substantively enacted tax rates	**335**	—	—
Large corporation tax	**300**	120	17
Other	**96**	—	(10)
Income tax expense	**$ 731**	$ 100	$ 7,809

The tax effects of temporary differences of the Fund's operating entities that give rise to future tax assets and liabilities are presented below:

	December 31, 2003	December 31, 2002	July 22, 2002
Future tax assets			
Non-capital loss carryforwards	**$ (1,403)**	$ (1,632)	$ (956)
Future tax liabilities			
Property and equipment – differences between tax and accounting values	**8,456**	6,497	9,381
Other	**(1,590)**	263	123
Net future income tax liability	**$ 5,463**	$ 5,128	$ 8,548

8. Trust Units

Authorized

Unlimited numbers of Subordinate Voting Trust units and Class A Limited Partnership ("LP") units and 1,467,724 Class B LP units are authorized.

Voting, distribution and exchange rights

The Subordinate Voting Trust units and the Class A LP units are entitled to one vote each. The Class B LP units are entitled to ten votes each. Distributions are made equally on a pro rata basis. Each Class A and Class B LP unit is exchangeable for a Subordinate Voting Trust unit effectively giving the Class A and Class B LP units the same rights and entitlements as the Subordinate Voting Trust units. They have therefore been included in unitholders' equity on the balance sheet.

Redemption rights

Subordinate Voting Trust units are redeemable by the Fund at any time at a price equal to the lesser of 90% of their market price during the five trading day period commencing immediately after the date of surrender and 100% of the closing market price on the redemption date.

Issue of Subordinate Voting Trust units

On July 23, 2002, the Fund completed its initial public offering under which 4,250,000 units were issued for net proceeds of $31,375 after deducting costs of the offering and expenses related to the conversion to an income fund. In addition, on August 1, 2002, the Fund's underwriters exercised their right to acquire an additional 637,500 Subordinate Voting Trust units in conjunction with the initial public offering for net proceeds of $5,693.

Unit option plan

The Fund maintains a unit option plan to encourage ownership of the Fund by directors, officers and employees of the Fund. The maximum number of trust units which have been reserved for issuance under the plan is 1,581,831 at December 31, 2003. No options have been granted under the plan as at December 31, 2003.

CONTINUITY OF CONTRANS CORP.'S ENDING CAPITAL STOCK TO THE FUND'S ENDING TRUST UNITS

Issued (in thousands) and fully paid:

	Contrans Corp.				Contrans Income Fund							
	Class A shares		Class B shares		Subordinate Voting Trust units		Class A LP units		Class B LP units		Total	
	Units	$	Units	$	Units	$	Units	$	Units	$	Units	$
Shares of Contrans Corp. outstanding as at July 22, 2002	4,342	$ 25,459	367	$ 1,298								
Effect of 4:1 exchange on July 23, 2002	(4,342)	(25,459)	(367)	(1,298)	11,851	$ 17,373	5,516	$ 8,086	1,468	$ 1,298	18,835	$ 26,757
Exchanged during the period					48	452	(48)	(452)	—	—	—	—
Units issued during the period					4,888	37,068	—	—	—	—	4,888	37,068
Outstanding at December 31, 2002	—	—	—	—	16,787	54,893	5,468	7,634	1,468	1,298	23,723	[illegible]
Exchanged during the period					17	166	(17)	(166)				
Units issued during the period					166	1,406	—	—	—	—	166	1,406
Outstanding at December 31, 2003	—	—	—	—	16,970	56,465	5,451	7,468	1,468	1,298	23,889	65,231
Units issued January 15, 2004					18	177	—	—	—	—	18	177
Outstanding at January 31, 2004	—	—	—	—	16,988	$ 56,642	5,451	$ 7,468	1,468	$ 1,298	23,907	$ 65,408

9. Lease Commitments

Future minimum payments for operating lease obligations are as follows:

2004	$ 7,579
2005	7,270
2006	4,637
2007	2,181
2008	1,084
Thereafter	602

10. Contingencies

OUTSTANDING LITIGATION

In September 1994, two actions were filed by separate groups of former employees against Laidlaw Carriers Inc. ("Laidlaw") and an Ontario loan and trust company. These actions involved the valuation of the employees' benefit plans in 1988. In 2001, after application for leave to appeal an earlier court decision was denied, these actions became a single class proceeding. Management is unable to determine the outcome of this lawsuit at this time.

Laidlaw had been a wholly-owned subsidiary of Contrans Corp. and, upon amalgamations that took place on July 23, 2002, the potential liability surrounding these actions was combined with Contrans Corp., a corporation controlled by the Fund that continues to provide administrative services to the Fund and the operating entities.

11. Financial Instruments

The carrying values of accounts receivable, accounts payable and accrued [illegible]ties, distributions payable and long term debt approximate their fair value. The fair value of long-term debt is determined at the net present value of contractual future payments of principal discounted at current market rates of interest for similar debt instruments with terms stretching over the remaining lives of the outstanding loans. Floating rate debt is [illegible]ssumed to be carried at fair value.

The Fund services a large customer base in various industries which helps limit concentration of credit risk. Some of the Fund's largest customers are in industries where demand for their goods is relatively inelastic. The Fund undertakes credit checks on new accounts and closely monitors the credit performance of all its customers

The Fund from time to time enters into foreign exchange forward contracts to manage its net exposure to currency fluctuations against the U.S. dollar. As at December 31, 2003, the Fund has outstanding forward contracts to sell $3,000 U.S. with a contract exchange rate of $1.33 U.S. These forward contracts expire through March 2004.

12. Related Party Transactions

The Fund had business transactions with a company controlled by the Chairman of the Fund as follows:

	January 1, 2003 to December 31, 2003	July 23, 2002 to December 31, 2002	September [illegible], 2001 to July 22, 2002
Transactions during the period			
Equipment purchases	**$ 119**	$ 729	$ 61
Repairs and maintenance	**2,044**	823	1,749
Rental income	**145**	52	122
Balances at end of period			
Accounts payable	**113**	78	79
Accounts receivable	**2**	7	3

These transactions were carried out in the normal course of business and at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

13. Cash Flow

Change in non-cash working capital:

	December 31, 2003	December 31, 2002	July 22, 2002
Decrease (increase) in accounts receivable	**$ 3,137**	$ 2,770	$ (5,180)
Increase in other current assets	**(917)**	(479)	(713)
Increase (decrease) in accounts payable and accrued liabilities	**3,501**	(672)	(2,542)
Decrease in income taxes payable	**(490)**	(541)	(92)
Net change in non-cash working capital	**$ 5,231**	$ 1,078	$ (8,527)
Cash paid in respect of:			
Interest	**$ 1,646**	$ 625	$ 1,853
Income taxes	**886**	661	7,891

14. Segmented Information

The Fund operates in the freight transportation industry and in the school bus transportation industry, both based in Canada. There have been no transactions between operating segments except for interest charges on long-term note indentures. Costs incurred at the Fund's head office, denoted as "Other" in the table below, are allocated to each operating segment.

January 1, 2003 to December 31, 2003 Segment	Revenue	Net interest expense (income)	Amortization of property and equipment	Income (loss) before income taxes	Total assets	Capital expenditures
Freight	**$ 270,061**	**$ 5,761**	**$ 8,069**	**$ 18,791**	**$ 88,796**	**$ 3,011**
School bus	**22,820**	**960**	**3,935**	**236**	**51,587**	**6,105**
Other	**—**	**(5,061)**	**505**	**(451)**	**19,983**	**782**
	$ 292,881	**$ 1,660**	**$ 12,509**	**$ 18,576**	**$ 160,367**	**$ 9,898**

July 23, 2002 to December 31, 2002 Segment	Revenue	Net interest expense (income)	Amortization of property and equipment	Income before income taxes	Total assets	Capital expenditures
Freight	$ 120,743	$ 3,165	$ 3,718	$ 9,710	$ 104,855	$ 4,448
School bus	9,157	484	1,451	217	37,620	4,700
Other	—	(2,981)	202	42	29,337	197
	$ 129,900	$ 668	$ 5,371	$ 9,969	$ 171,813	$ 9,345

September 1, 2001 to July 22, 2002 Segment	Revenue	Net interest expense (income)	Amortization of property and equipment	Income before income taxes	Total assets	Capital expenditures
Freight	$ 224,863	$ 2,724	$ 6,898	$ 19,202	$ 116,479	$ 3,178
School bus	6,774	404	1,094	103	35,631	30
Other	—	(1,311)	282	650	4,575	793
	$ 231,637	$ 1,817	$ 8,274	$ 19,955	$ 156,685	$ 4,001

Prior to March 4, 2002 the Company operated solely in the freight transportation industry.

15. Comparative Figures

Certain comparative figures, terminologies and disclosures have been restated to conform to the current year's basis of presentation and to reflect the change in organization described in Note 1. The comparative figures for July 22, 2002 include the operating results of Contrans Corp., the predecessor legal entity that was effectively acquired upon the completion of the Fund's plan of arrangement.

16. Subsequent Events

(a) On January 1, 2004 the Fund acquired all of the issued and outstanding shares of Olinyk Trucking Ltd. based in Edmonton, Alberta. Cash consideration for the shares and non-competition agreements is estimated to be approximately $900.

(b) On January 8, 2004 the Fund closed a private placement offering with First Treasury for $37.5 million in senior secured notes at a fixed rate of interest of 6.589%. The agreement provides for monthly payments of interest only while the principal portion is repayable in full on December 15, 2008. Proceeds have been used to repay existing bank indebtedness and will allow the Fund to pursue strategic growth opportunities.

Concurrent with the private placement, the Fund entered into a new bank credit facility for $30 million with Royal Bank of Canada. This revolving, demand facility allows for the funding of acquisitions and other growth opportunities.

(c) On February 10, 2004, the Fund entered into an agreement to sell 3,700,000 Subordinate Voting Trust Units at a price of $11.00 per Subordinate Voting Trust Unit to raise gross proceeds of $40.7 million on a bought deal basis. The first cash distribution in which purchasers of the new Subordinate Voting Trust Units will be entitled to participate will be for the month of March with a record date of March 31, 2004 and payable on April 15, 2004. The net proceeds of the offering will be used for working capital purposes and will allow the Fund to pursue strategic growth opportunities.

(Unaudited)	**2003**	2002(1)	2001(2)	2000(2)	1999(2)	1998(2)
Return on equity (3)	**15.9%**	19.1%	23.2%	20.9%	19.0%	26.6%
Operating ratio (4)	**93.1%**	91.2%	91.4%	91.9%	92.8%	92.1%
Debt to equity (5)	**0.50**	0.46	0.93	1.29	1.40	1.25
Earnings before taxes (6) (11)	**$ 18,576**	$ 22,662	$ 21,275	$ 20,639	$ 17,180	$ 15,661
Tangible book value per unit/share (7)	**$ 3.13**	$ 3.72	$ 3.20	$ 2.41	$ 2.01	$ 1.72
Earnings per unit/share – basic (8)	**$ 0.75**	$ 0.84	$ 0.76	$ 0.54	$ 0.42	$ 0.45
Price earnings ratio (9)	**13.6**	10.3	4.7	7.1	9.2	8.3
Weighted average number of units/shares outstanding (10) (11)	**23,763**	20,989	18,116	19,672	20,792	18,124

(1) Combined results of Contrans Income Fund and Contrans Corp. for the 12 months ended December 31, 2002

(2) Results of Contrans Corp. for 12 months ended August 31

(3) Return on equity was calculated by dividing net income by average unitholders'/shareholders' equity

(4) Operating ratio was calculated by dividing total expenses before interest and taxes by revenue

(5) Debt to equity was calculated by dividing total debt (including future tax obligations) by unitholders'/shareholders' equity

(6) For years prior to 2002, also excludes goodwill amortization

(7) Tangible book value per unit/share was calculated by dividing tangible unitholders'/shareholders' equity by the number of units/shares outstanding at year end

(8) Earnings per unit/share – basic was calculated by dividing net income by the weighted average number of shares outstanding during the year

(9) Price earnings ratio was calculated by dividing year-end closing price by earnings per share

(10) Imputes a 4:1 split for periods prior to July 23, 2002

(11) Thousands

Officers
Stan G. Dunford
Chairman of the Board and C.E.O.

Gregory W. Rumble
President and C.O.O.

D. Jamieson Miller
Secretary-Treasurer

James S. Clark
Vice-President Finance and C.F.O.

Norman McDonough
Vice-President Risk and Compliance

W. Todd Jenereaux
Vice-President Corporate Development

Principal Office
1179 Ridgeway Road
Woodstock, Ontario
N4S 8P6
(519) 421-4600

Stock Exchange Listing
Toronto Stock Exchange
Symbol: css.un

Transfer Agent and Registrar
Computershare Trust Company of Canada
100 University Avenue
Toronto, Ontario
M5J 2Y1

Annual Meeting
Four Seasons Hotel
21 Avenue Road
Toronto, Ontario
Monday, May 17, 2004
at 4:30 p.m.

Annual Information Form
A copy of the Fund's Annual Information Form may be obtained without charge upon written request.

Website
www.contrans.ca

Printed in Canada

Contrans Income Fund
1179 Ridgeway Road, Woodstock, Ontario N4S 8P6
Tel: (519) 421-4600   Fax: (519) 539-9220
www.contrans.ca